

### Overview

Dragon Mining reported a consolidated net loss after tax for the period of \$0.003 million, (1H2013: loss of \$4.921 million), from gold sales of \$41.0 million (1H2013 \$44.7 million). Gold revenues were adversely affected by the lower gold prices prevailing in the half, together with lower production.

Gold production for the half year was 30,075 ounces (1H2013: 31,620 ounces), comprising 16,758 ounces (1H2013: 13,930 ounces) from the Vammala Production Centre and 13,317 ounces (1H2013: 17,690 ounces) from the Svartliden Production Centre. Gold production was mixed, with higher production based on higher grades being achieved by Vammala Production Centre for the half year, while the Svartliden Production Centre produced lower ounces due to solely processing stockpiles following the completion of mining at the end of 2013. The C1 cash cost for the period was USD961/oz (1H2013: USD 928/oz).

No accidents were recorded at the Svartliden Production Centre or the Jokisivu Gold Mine for the half year. Disappointingly, four accidents occurred in the other Finnish operations and efforts to improve the safety performance continue.

The Company completed an operating review, details of which have been previously announced.

Progress has been made in the divestment of non-core projects, with the previously announced Sale Agreement with Aurion Resources Limited (TSX-V : AU) and the signing of a Buy-Back Agreement with Weld Range Metals Limited. At 30 June 2014, both deals were awaiting completion of their conditions precedent and the benefits from these agreements are not reflected in the results for the half year.

Following a general meeting in February 2014, there were significant Board and operating management changes during the half. At the date of this report, the Board consists of Mr Arthur Dew (Chairman), Mr Brett Smith (Executive Director) and Mr Peter Gunzburg (Non-Executive Director).

Following on from cost reduction actions commenced at the end of 2013 and a review of operations initiated by the new Board, a number of redundancies were implemented in order to reduce costs and streamline operational responsibilities. The operational changes reinforce the Board's position on cost reduction, safety and productivity.

### Key Financial Results:

#### Statement of Comprehensive Income

- Revenue from gold sales was \$41.0 million (1H2013: \$44.7 million);
- Gross Profit from operations \$4.4 million (1H2013: \$5.6 million);
- Exploration expenditure of \$1.8 million (1H2013: 3.0 million);
- Foreign exchange gains of \$0.2 million (1H2013: 9.1 million). Following significant impairment charges incurred by the Finnish subsidiary in 2013 and a subsequent recapitalisation, long term debt owing by the subsidiary is considered to be part of the Group's net investment. Accordingly, foreign exchange movements arising on the long term debt is taken to Other Comprehensive Income; and
- Net loss after tax was \$0.003 million (2013: \$4.9 million).

#### Statement of Financial Position

- Group cash at 30 June 2014 stood at \$10.7 million (Dec 2013: \$5.9 million). Trade receivables from gold concentrate delivered and bullion on hand were \$7.3 million (Dec 2013: \$8.7 million) with trade creditors amounting to \$5.9 million (Dec 2013: \$5.9 million);
- Cash generated from operations before exploration expenditure was positive \$9.0 million (1H2013: \$8.4 million); and
- Net increase in cash and cash equivalents for the period was \$4.9 million (1H2013: increase \$1.2 million).



## Restatement of Prior Period

As previously announced, during the preparation of the Half Year Report an error was detected in the 2013 Audited Financial Statements. Further details of the error and its impact can be found in Note 18 of the attached Half Year Report and the previous announcement.

As the error related to the carrying value of stockpiles, the previously reported C1 Cash Costs as set out in the March and June Quarterly Reports also requires restatement.

The table below details the C1 cash costs corrected for the restatement.

Quarter	Svartliden Production Centre		Group	
	Reported	Restated	Reported	Restated
	USD/Oz	USD/Oz	USD/Oz	USD/Oz
March 2014	1,460	848	1,289	1,024
June 2014	1,158	849	1,274	961



## APPENDIX 4D

For the 6 months ended 30 June 2014

### 1.0 REPORTING PERIOD

The reporting period is for the half year ended 30 June 2014 with the corresponding reporting period being for the half year ended 30 June 2013.

### 2.0 RESULTS FOR ANNOUNCEMENT TO THE MARKET

	A\$'000			
Revenues from gold sales	down	6.7%	to	42,288
Net loss before tax for the period	down	99.9%	to	(3)
Net loss after tax for the period attributable to members	up	99.9%	to	(3)

Refer to attached media release for further commentary regarding the half year to 30 June 2014 result.

### 3.0 NET TANGIBLE ASSET BACKING

	30 June 2014	30 June 2013
Net tangible asset backing per ordinary security (dollars)	0.42	0.51

### 4.0 CONTROL GAINED OR LOST OVER ENTITIES HAVING MATERIAL EFFECT

Not applicable.

### 5.0 DIVIDENDS

It is not proposed to pay a dividend.

### 6.0 DIVIDEND REINVESTMENT PLANS

Not applicable.

## 7.0 ASSOCIATES AND JOINT VENTURE ENTITIES

	Percentage holding	
	Current period	Previous corresponding period
Weld Range Metals Limited	39.95%	39.95%
Harpsund Joint Venture	0% *	0%

\* Dragon Mining entered into a Joint Venture Agreement with Botnia Exploration AB to earn up to 80% in the Harpsund nr 1 and Brokojan nr 2 Exploration Permits.

## 8.0 ACCOUNTING STANDARDS USED FOR FOREIGN ENTITIES

The accounts have been prepared in compliance with International Financial Reporting Standards.

## 9.0 AUDIT DISPUTE OR QUALIFICATION

Not applicable.

This half year report should be read in conjunction with the most recent annual financial report.

**DRAGON MINING LIMITED**

**ABN 19 009 450 051**

**HALF YEAR FINANCIAL REPORT**

**FOR THE SIX MONTHS ENDED**

**30 JUNE 2014**

**DRAGON MINING LIMITED  
HALF YEAR FINANCIAL REPORT  
30 JUNE 2014**

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## CORPORATE INFORMATION

### Directors

Chairman – Arthur George Dew  
Executive Director – Brett Robert Smith  
Non-Executive Director – Peter Lynton Gunzburg

### Company Secretary

Shannon Coates

### Registered Office

Unit B1, 431 Roberts Road  
Subiaco, Western Australia 6008  
Telephone: 61 8 6311 8000  
admin@dragon-mining.com.au  
www.dragon-mining.com.au

### ABN

19 009 450 051

### Share Registry

Computershare Investor Services Pty Limited  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
Perth, Western Australia 6000

### Contact Information

Within Australia: 1300 850 505  
From Overseas: 61 3 9415 4000  
Facsimile: 61 3 9473 2500  
web.queries@computershare.com.au  
www.computershare.com

### Stock Exchange

ASX Limited  
Exchange Plaza  
2 The Esplanade  
Perth, Western Australia 6000  
Quoted on the official list of the  
Australian Securities Exchange.

ASX Ordinary Share Code: DRA

### Auditors

Ernst & Young  
11 Mounts Bay Road  
Perth, Western Australia 6000

### Legal Advisors

Hardy Bowen  
1/28 Ord Street  
West Perth, Western Australia 6005

### Bankers

Nordea Bank Finland Plc  
Aleksis Kiven katu 3-5  
Helsinki, Finland

Macquarie Bank Limited  
235 St Georges Terrace  
Perth, Western Australia 6000

HSBC Bank Australia Ltd  
Level 1, 190 St Georges Terrace  
Perth, Western Australia 6000

## DIRECTORS REPORT

Your Directors submit the report of Dragon Mining Limited ("Dragon Mining" or "the Company") for the half year ended 30 June 2014.

### Directors

The names of the Company's Directors in office during the period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Arthur George Dew – Chairman (Appointed 7 February 2014)  
 Brett Robert Smith – Executive Director (Appointed 7 February 2014)  
 Peter Lynton Gunzburg – Non Executive Director  
 Peter George Cordin – Chairman (Resigned 7 February 2014)  
 Kjell Emil Larsson – Managing Director (Resigned 7 February 2014)  
 Christian Russenberger – Non Executive Director (Removed 7 February 2014)  
 Markku Juhani Mäkelä – Non Executive Director (Resigned 17 March 2014)

### Review and Results of Operations

The consolidated net loss after tax of the consolidated entity for the period was \$0.003 million (half year ended 30 June 2013 loss of \$4.921 million). Notable items included:

- Revenue from gold sales of \$41.0 million;
- Gold Production of 30,075 ounces;
- Gross profit from gold sales of \$4.4 million;
- Exploration expenditure of \$1.8 million
- Net operating cash flow of \$7.0 million
- Cash generated for the 6 month period of \$5.0 million

The period saw significant changes within the Group, commencing in February with a change of the Board following the General Meeting held on 7 February 2014. As part of a strategy to refocus exploration on targets that will provide ore to the processing plants, the size and mix of the exploration group has been adjusted. In addition, management changes have been made in both Sweden and Finland to reinforce the boards position on cost reduction, safety and productivity. Details of these changes can be found in previously released ASX announcements and the Company's Quarterly Reports.

The clear objective of these changes is to implement a strategy that reduces costs, improves safety, extends the operating life of our processing plants and improves efficiencies thereby increasing the ability of the Group to continue operations in the light of these lower gold prices.

Low gold prices generally prevailed during the half. After opening at a low around US\$1200/oz, prices generally traded in a US\$1,250 to US\$1,350/oz range. This, combined with the lower gold production for the period, resulted in lower revenues being generated. In spite of lower revenues the efficiency measures put in place resulted in positive operating cashflows during the period. Further details in respect of the performance of the operations is provided below.

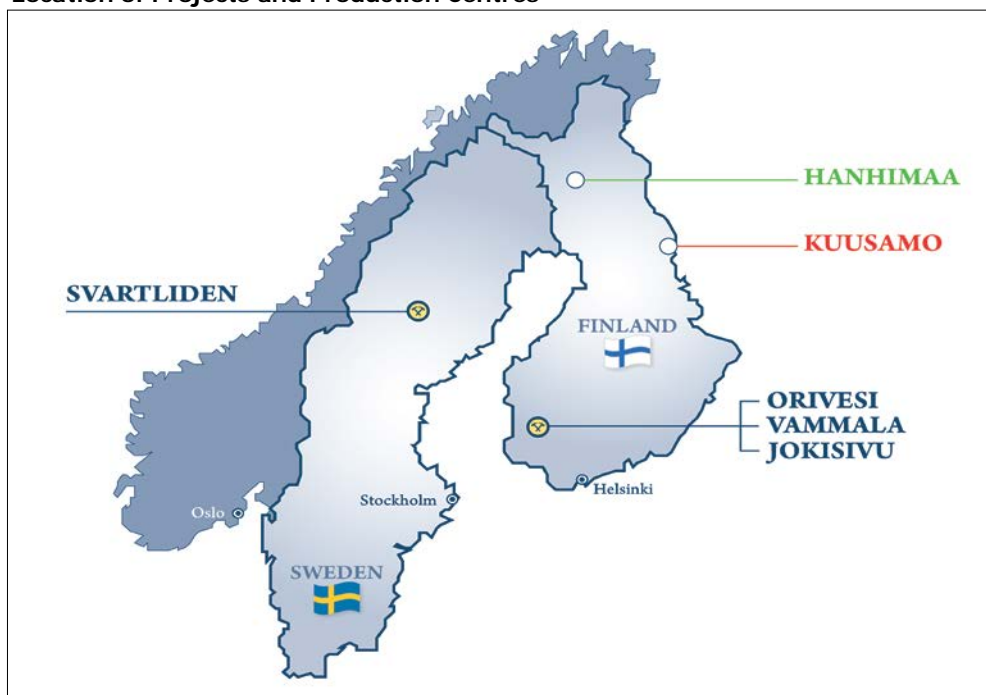
Looking at key expense items, there were a number of significant movements compared to the comparative six month period. These were:

- Reduction in depreciation charges following the significant impairments undertaken in 2013;
- Following significant impairment charges in the Finnish subsidiary at the end of 2013, the Board elected to recapitalise the Finnish subsidiary. As a result, foreign exchange movements arising on the long term debt were considered to be part of the Group's net investment and were taken to Other Comprehensive Income.
- During the period, there were no impairments of assets. However, during preparation of the 2014 Half Year Report an error was detected in the calculation of the impairment charges in 2013. Details of the error and their impact on this report are included in Note 18.

In regard to the Statement of Financial Position, the period saw a significant reduction in stockpile inventories of \$4.2m in the period. The main reason for the decrease was the completion of processing the "Run of Mine" ore stockpiles at the Svartliden Production Centre. Svartliden will continue to process marginal ore stockpiles through to the end of Q1 2015, however these marginal stockpiles have no capitalised value.



## Location of Projects and Production Centres



In addition to the Board, management and operating changes noted above, progress was made in divestment of non-core assets. Firstly, a Definitive Purchase Agreement was signed with Aurion Resources Limited (TSX-V:AU) in respect of the sale the Kutuvuoma and Silasselkä projects in Northern Finland. Secondly, a Buy Back Agreement was signed with Weld Range Metals Limited, which if completed will enable the Group to divest its interest for A\$1m. Both agreements are currently awaiting the completion of conditions precedent. More details in respect of both agreements were included in previous ASX announcements. Part of the old Outokumpu offices has been divested and the balance is proposed for divestment.

The group has also closed non-core offices in Stockholm and Outokumpu, refocusing operational and exploration staff at the production hubs of Vammala and Svartliden.

## Operations

Gold production for the half year was 30,075 ounces (1H2013: 31,620 ounces), comprising 16,758 ounces (1H2013: 13,930 ounces) from the Vammala Production Centre and 13,317 ounces (1H2013: 17,690 ounces) from the Svartliden Production Centre.

At Vammala Production centre, higher gold production resulted from higher grade feed, driven by increased grades at the Orivesi and Jokisivu Gold Mines. The higher gold production was achieved despite some difficulties, with a severe rock burst in the decline at the Orivesi Gold Mine in May and low recoveries at Vammala plant when processing Orivesi sulphide ores.

At Svartliden, following the completion of mining in late 2013, the Svartliden plant has been processing ROM stockpiles during the period. For the balance of 2014, Svartliden will be processing marginal ore stockpiles, the current volume of stockpiled ore at Svartliden is estimated to be sufficient to allow the Svartliden Production Centre to continue operations until mid Q1, 2015. The company is currently pursuing various options to further extend the operations of this production centre. During the period, these options included the successful test processing of Vammala concentrates as well as test processing of ore from a nearby mine.

Safety for the period was disappointing, with four LTIs during the period. Reinforcing the new Boards commitment to improve safety, a number of safety initiatives including changes to senior management have been made and directed at improving safety in the future. These changes represent important steps in changing the culture of the organisation and ultimately an improvement in the safety of the operations

To ensure the technical options and associated costs for the future rehabilitation of the Svartliden site are fully understood, during the period the Group commissioned a number of studies to review the hydrology of the tailings storage facility and the geochemistry of the waste rock dump. The aim of these studies is to establish the suitability of the existing rehabilitation plans, to explore other technical options and if necessary update the existing rehabilitation plans.

There were a number of other environmental matters which progressed during the half, with the main items being the ELY response on the Kuusamo Gold Project EIA report and a new permit being issued for the Vammala mill. The permit for the Vammala mill contained some inconsistencies and the Company has lodged an appeal to clarify these issues.

## Advanced Projects and Exploration

During the half year as part of a strategy to increase the potential of our existing mining tenements the exploration focus has been shifted to assist the operating mines. In addition, a formal review was made of all tenements to identify strategic assets along with a plan to further divest non-core projects.

During the period agreements were reached with Aurion Gold Limited (TSX-V:AU), a Canadian listed entity, for the sale of the Kutuvuoma and Silasselkä projects in Northern Finland and with Weld Range Metals Limited regarding a buyback of the Company's interest in Weld Range.

An important milestone was reached in respect of the Kuusamo Gold Project, with the responsible authority (ELY) issuing its response on the EIA. Based on this feedback, additional engineering is required to further define some areas, for example the water balance, the mine plan and the process plan. This will allow more accurate definition of the discharge levels and the levels of various elements in the waste rock and tailings streams. This engineering work is expected to take 12-18 months and will be completed before an updated EIA is submitted.

Investigations have been commenced regarding the commencement of mining at the Kaapelinkulma project in Finland. In addition investigations are continuing regarding the possibility of acquiring and mining the Faboliden prospect in Sweden in order to extend the life of the Svartliden plant.

## Significant Events After Period End

Insofar as the Board is aware no circumstances or events have arisen subsequent to balance date that have had, or are likely to have, a material impact on the financial statements.

## Rounding

The amounts contained in this report and in the financial statements have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

## Auditor's Independence Declaration

An independence declaration from our auditors, Ernst & Young, is attached to the Auditor's Independent Review Statement to the members and forms part of this Directors' Report.

Signed in Hong Kong 27 August 2014 in accordance with a resolution of the Directors.



Brett R Smith  
Executive Director

## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Dragon Mining Limited:

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of financial position of the consolidated entity as at 30 June 2014 and the performance for the half year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Brett R Smith  
Executive Director

27 August 2014

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	6 months to 30 June 2014 \$'000	6 months to 30 June 2013 \$'000
Revenue from gold sales		41,034	44,676
Cost of Sales	3(a)	(36,625)	(38,986)
<b>Gross profit</b>		<b>4,409</b>	<b>5,690</b>
Other revenue	3(b)	444	235
Other income	3(c)	133	49
Exploration expenditure		(1,845)	(3,001)
Other expenses	3(d)	(3,694)	(16,050)
Finance costs	3(e)	(125)	(158)
Redundancy costs	3(f)	(822)	-
Foreign exchange gains		216	9,151
Derivatives gains		-	507
<b>Loss before tax</b>		<b>(1,284)</b>	<b>(3,577)</b>
Income tax (expense)/benefit		1,281	(1,344)
<b>Loss after income tax</b>		<b>(3)</b>	<b>(4,921)</b>
<b>Other comprehensive income –</b> <i>Items that may be reclassified subsequently to profit and loss</i>			
Foreign currency translation		(1,627)	(5,317)
<b>Total comprehensive loss for the period</b>		<b>(1,630)</b>	<b>(10,238)</b>
<b>Loss attributable to:</b>			
Members of Dragon Mining Limited		(3)	(4,921)
		<b>(3)</b>	<b>(4,921)</b>
<b>Total comprehensive loss attributable to:</b>			
Members of Dragon Mining Limited		(1,630)	(10,238)
		<b>(1,630)</b>	<b>(10,238)</b>
<b>Loss per share attributable to ordinary equity holders of the parent (cents per share)</b>			
Basic loss per share		(0.00)	(5.54)
Diluted loss per share		(0.00)	(5.54)

*The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2014 \$'000	31 Dec 2013 \$'000 Restated
<b>Current Assets</b>			
Cash and cash equivalents		10,675	5,895
Trade and other receivables		9,055	9,777
Inventories	4	6,287	10,518
Other assets		238	251
Income Tax Receivable		316	79
<b>Total Current Assets</b>		<b>26,571</b>	<b>26,520</b>
<b>Non-Current Assets</b>			
Mine Property, Property, plant and equipment	5	5,864	8,873
Mineral exploration costs		1,920	2,037
Development costs		555	701
Investment in associate	6	-	-
Deferred tax assets		-	190
Other receivables	7	-	-
Other assets		5,291	5,789
<b>Total Non-Current Assets</b>		<b>13,630</b>	<b>17,590</b>
<b>Total Assets</b>		<b>40,201</b>	<b>44,110</b>
<b>Current Liabilities</b>			
Trade and other payables		5,931	5,919
Interest bearing loans and borrowings	8	1,521	2,131
Provisions	9	4,186	4,237
Other liabilities		885	1,104
<b>Total Current Liabilities</b>		<b>12,523</b>	<b>13,391</b>
<b>Non-Current Liabilities</b>			
Provisions	9	12,660	12,517
Deferred tax liabilities		-	1,560
<b>Total Non-Current Liabilities</b>		<b>12,660</b>	<b>14,077</b>
<b>Total Liabilities</b>		<b>25,183</b>	<b>27,468</b>
<b>Net Assets</b>		<b>15,018</b>	<b>16,642</b>
<b>Equity</b>			
Contributed equity	12	119,992	119,992
Reserves		(1,020)	601
Accumulated losses		(103,954)	(103,951)
<b>Total Equity</b>		<b>15,018</b>	<b>16,642</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed Equity \$'000	Accumulated Losses \$'000	Foreign Currency Translation \$'000	Option Reserve \$'000	Convertible Note Premium Reserve \$'000	Equity Reserve – Purchase of Non- controlling interests \$'000	Total \$'000
As t 31 December 2013 (as previously stated)	119,992	(97,617)	(3,783)	1,857	2,068	1,069	23,586
Impact of Error (Note 18)	-	(6,334)	(610)	-	-	-	(6,944)
At 31 December 2013 (Restated)	119,992	(103,951)	(4,393)	1,857	2,068	1,069	16,642
(Loss) for the period	-	(3)	-	-	-	-	(3)
Other comprehensive income/(loss)	-	-	(1,627)	-	-	-	(1,627)
Total comprehensive income/(loss) for the period	119,992	(103,954)	(6,020)	1,857	2,068	1,069	15,012
Transactions with owners in their capacity as owners:							
Share option expense	-	-	-	6	-	-	6
Forfeiture of options	-	-	-	-	-	-	-
At 30 June 2014	119,992	(103,954)	(6,020)	1,863	2,068	1,069	15,018
At 31 December 2012	119,992	(81,782)	7,715	1,662	2,068	1,069	50,724
(Loss) for the period	-	(4,921)	-	-	-	-	(4,921)
Other comprehensive income/(loss)	-	-	(5,317)	-	-	-	(5,317)
Total comprehensive income/(loss) for the period	119,992	(86,703)	2,398	1,662	2,068	1,069	40,486
Transactions with owners in their capacity as owners:							
Share option expense	-	-	-	128	-	-	128
Forfeiture of options	-	-	-	(13)	-	-	(13)
At 30 June 2013	119,992	(86,703)	2,398	1,777	2,068	1,069	40,601

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months to 30 June 2013 \$'000	6 months to 30 June 2013 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	42,288	45,361
Payments to suppliers and employees	(32,713)	(33,140)
Payments for mineral exploration	(2,120)	(3,339)
Interest received	210	210
Interest paid	(42)	(46)
Payments for rehabilitation	-	(49)
Income taxes paid	(585)	(2,149)
Net payments for derivative transactions	-	(598)
Payment of environmental bonds	(59)	(219)
<b>Net Operating Cash Flows</b>	<b>6,979</b>	<b>6,031</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(189)	(1,895)
Proceeds from sale of property, plant and equipment	5	-
Payments for development	(1,282)	(3,041)
Advances to Associate	-	(159)
<b>Net Investing Cash Flows</b>	<b>(1,466)</b>	<b>(5,095)</b>
<b>Cash flows from financing activities</b>		
Drawdown/(Repayment) of short-term factoring facility	(528)	251
<b>Net Financing Cash Flows</b>	<b>(528)</b>	<b>251</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,985</b>	<b>1,187</b>
Cash and cash equivalents at the beginning of the period	5,895	5,546
Effects of exchange rate changes on cash and cash equivalents	(205)	141
<b>Cash and cash equivalents at the end of the period</b>	<b>10,675</b>	<b>6,874</b>

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Corporate Information

The half year financial report of Dragon Mining Limited and its controlled entities ("consolidated entity" or the "Group") for the period ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 26 August 2014.

Dragon Mining Limited is a company limited by shares that is incorporated and domiciled in Australia and whose shares are publicly listed on Australian Securities Exchange.

### 2 Basis of Preparation and Accounting Policies

#### (a) Basis of Preparation

These general purpose condensed interim financial statements for the half year ended 30 June 2014 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half year financial report should be read in conjunction with the annual report for the year ended 31 December 2013 and considered together with any public announcements made by Dragon Mining Limited during the half year ended 30 June 2014 in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

#### (b) Financial Assets and Liabilities

Unless otherwise noted, the carrying value of financial assets and liabilities as disclosed in the half year financial report approximates their fair value.

#### (c) Foreign Currency Transactions and Balances

##### *Functional & Presentation Currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The consolidated financial statements are presented in Australian dollars which is Dragon Mining Limited's functional and presentation currency.

##### *Transaction & Balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

##### *Group Companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that reporting date;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any monetary items that form part of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### (d) Changes in Accounting Policy

Except as disclosed below, the accounting policies adopted in the preparation of the half year financial report are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2013.



All relevant new and amended Accounting Standards and Interpretations which became applicable on 1 January 2014 have been adopted by the Group. These included:

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124)
- AASB 2012-3 Amendments to Australian Accounting Standards Offsetting Financial Assets and Financial Liabilities
- AASB 1053 Application of Tiers of Australian Accounting Standards
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

The implementation of the above standards did not require a restatement of comparative information in this Half Year Report.

Several other amendments apply for the first time in 2014, however they did not impact on the Consolidated Half Year Report of the Group.

### 3 Revenue and Expenses

	6 months to 30 June 2014 \$'000	6 months to 30 June 2013 \$'000
<b>(a) Cost of Sales</b>		
Cost of production	32,683	30,202
Depreciation of mine properties, plant and equipment	3,942	8,766
Rehabilitation		18
	<b>36,625</b>	<b>38,986</b>
<b>(b) Other revenue</b>		
Finance revenue	210	210
Rent and service income	234	25
Total other revenue	<b>444</b>	<b>235</b>
<b>Breakdown of Finance Revenue</b>		
Bank and external interest	44	51
Interest from associate	166	159
	<b>210</b>	<b>210</b>
<b>(c) Other income</b>		
Gain on sale of plant and equipment	8	-
Other	125	49
Total other income	<b>133</b>	<b>49</b>
<b>(d) Other expenses</b>		
Management and administration expenses	3,442	3,393
Depreciation of non-mine site assets	53	48
Project generation expenses	33	-
Provision for non-recoverability of loan from associate	166	3,463
Impairment of Mine Properties		9,146
	<b>3,694</b>	<b>16,050</b>
<b>(e) Finance costs</b>		
Interest	22	15
Discount rate adjustment	25	57
Other	78	86
	<b>125</b>	<b>158</b>

#### (f) Redundancy Costs

During the period a number of employees were made redundant. A functional split of the redundancy costs is set out below:

	6 months to 30 June 2014	6 months to 30 June 2013
	\$'000	\$'000
Cost of Production	181	-
Exploration expenditure	63	-
Management and administration expenses	578	-
<b>Total Redundancy Costs</b>	<b>822</b>	

#### 4 Inventories

	30 June 2014 \$'000	31 Dec 2013 \$'000 Restated
<b>Work in progress</b>		
- Ore and concentrate stockpiles at cost	2,857	6,424
- Gold in circuit at cost	2,431	2,998
- Raw materials and stores – at cost	999	1,096
	<b>6,287</b>	<b>10,518</b>

Refer to Note 18 for details of the restatement of the 2013 ore and concentrate stockpiles.

#### 5 Mine Properties, Property, Plant & Equipment

	30 June 2014 \$'000	31 Dec 2013 \$'000
<b>(a) Land</b>		
At cost	<b>1,386</b>	<b>1,488</b>
<b>(b) Buildings</b>		
At cost	1,782	1,833
Less accumulated depreciation	(1,294)	(1,551)
	<b>488</b>	<b>282</b>
<b>(c) Property, Plant and Equipment</b>		
At cost	26,487	28,642
Less accumulated depreciation	(23,180)	(23,910)
	<b>3,307</b>	<b>4,732</b>
<b>(d) Mine properties</b>		
At cost	75,770	78,773
Less accumulated depreciation and impairment	(75,087)	(76,402)
	<b>683</b>	<b>2,371</b>
<b>Total Mine Properties, Property, Plant and Equipment</b>	<b>5,864</b>	<b>8,873</b>

## 6 Investment in Associates

### (a) Investment details

#### Unlisted

Weld Range Metals Limited - 39.95% interest – at cost

Share of Accumulated Losses

	30 June 2014 \$'000	31 Dec 2013 \$'000
	333	333
	(333)	(333)
	-	-

The share of losses not recognised during the period was \$0.378 million and the cumulative share of losses not recognised is \$4.452 million.

## 7 Non-Current Other Receivables

### Non-Current

Receivables from associate

Provision for Impairment

	30 June 2014 \$'000	31 Dec 2013 \$'000
	3,791	3,625
	(3,791)	(3,625)
	-	-

## 8 Interest Bearing Loans and Borrowings

### Current

Factoring facility drawn down (i)

Maturity

2014

	30 June 2014 \$'000	31 Dec 2013 \$'000
	1,521	2,131
	1,521	2,131

- (i) In Finland, there is a minimum six week delay between shipment of gold concentrate and payment by the refiner. In order to access funds for working capital, the Company established a factoring facility where funds can be drawn down from Nordea Bank for up to a maximum of 75% of gold contained in concentrate delivered to the refiner. Interest is payable at one week Euribor plus a credit margin of 1.35% on funds drawn down. In addition, the facility attracts a collateral management fee and a credit insurance fee which insures 90% of the nominal value of an assigned invoice.

## 9 Provisions

### Current

Employee entitlements

Rehabilitation

	30 June 2014 \$'000	31 Dec 2013 \$'000
	2,085	1,927
	2,101	2,310
	4,186	4,237

### Non-current

Employee entitlements

Rehabilitation

	30 June 2014 \$'000	31 Dec 2013 \$'000
	29	31
	12,631	12,486
	12,660	12,517

The Company regularly reviews rehabilitation liabilities in light of changing circumstances and changes in legislation. Adjustments to the provisions for rehabilitation are prospectively accounted for in the period in which the change is identified.

## 10 Dividends Paid or Provided For

There were no dividends paid or provided for during the period.

## 11 Segment Reporting

The Group has identified its operating segments to be Sweden and Finland, on the basis of geographical location, different national regulatory environments and different end products. Dragon Mining (Sweden) AB, the primary entity operating in Sweden, produces gold bullion from the Svartliden Gold Mine. Dragon Mining Oy in Finland produces gold concentrate from the Orivesi and Jokisivu Gold Mines.

The accounting policies used by the Group in reporting segments are the same as in the prior reporting period ending 31 December 2013.

	Sweden 30 June 2014 \$'000	Finland 30 June 2014 \$'000	Unallocated 30 June 2014 \$'000	Total 30 June 2014 \$'000
<b>Segment revenue</b>				
Gold sales to external customers	19,480	21,554	-	41,034
Interest revenue	21	-	189	210
Other revenue	1	233	-	234
<b>Total revenue</b>	<b>19,502</b>	<b>21,786</b>	<b>189</b>	<b>41,478</b>
<b>Segment result</b>				
Pre-tax segment result	1,191	18,419	-	19,610
Income tax expense	1,281	-	-	1,281
<b>Post tax segment result</b>	<b>2,472</b>	<b>18,419</b>	<b>-</b>	<b>20,891</b>
<i>Unallocated items:</i>				
Corporate interest revenue				189
Corporate costs				(240)
Unallocated foreign exchange losses relating to intercompany loans advanced by parent				-
Elimination of inter-company debt forgiveness in segment results				(21,592)
Elimination of inter-company interest expense, debt forgiveness and management fees in segment results				749
<b>Loss after tax as per the statement of comprehensive income</b>				<b>(3)</b>

## Segment Reporting (continued)

	Sweden 30 June 2013 \$'000	Finland 30 June 2013 \$'000	Unallocated 30 June 2013 \$'000	Total 30 June 2013 \$'000
<b>Segment revenue</b>				
Gold sales to external customers	27,627	17,049	-	44,676
Interest revenue	25	-	185	210
Other revenue	1	24	-	25
<b>Total revenue</b>	<b>27,653</b>	<b>17,073</b>	<b>185</b>	<b>44,911</b>
<b>Segment result</b>				
<b>Pre-tax segment result</b>	<b>5,901</b>	<b>(12,650)</b>	<b>-</b>	<b>(6,749)</b>
Income tax expense	(1,344)	-	-	(1,344)
<b>Post tax segment result</b>	<b>4,557</b>	<b>(12,650)</b>	<b>-</b>	<b>(8,093)</b>
<b>Unallocated items:</b>				
Corporate interest revenue				185
Corporate costs				7,109
Unallocated foreign exchange (gains)/ losses relating to intercompany loans advanced by parent				(5,837)
Elimination of inter-company interest expense and management fees in segment results				1,715
<b>Loss after tax as per the statement of comprehensive income</b>				<b>(4,921)</b>

The following table presents segment assets of the Group's operating segments as at 30 June 2014 and 31 December 2013:

	Sweden \$'000	Finland \$'000	Australia \$'000	Total \$'000
<b>Segment Non Current assets</b>				
<b>At 30 June 2014</b>	<b>6,526</b>	<b>7,034</b>	<b>70</b>	<b>13,630</b>
<b>At 31 December 2013 (Restated)</b>	<b>10,401</b>	<b>7,119</b>	<b>70</b>	<b>17,590</b>

## 12 Contributed Equity

	30 June 2014	31 Dec 2013	30 June 2014	31 Dec 2013
<b>Share Capital</b>	<b>Number of Shares</b>		<b>\$'000</b>	<b>\$'000</b>
Ordinary shares, fully paid	88,840,613	88,840,613	119,992	119,992

(a) Movements in Ordinary Share Capital during the past two half-years ended 30 June were as follows:

Half-year ended 30 June 2014:

	\$'000	No. of shares
At 1 January 2014	119,992	88,840,613
<b>Balance at 30 June 2014</b>	<b>119,992</b>	<b>88,840,613</b>

## Share Capital (Continued)

### Half-year ended 30 June 2013:

	\$'000	No. of shares
At 1 January 2013	119,992	88,840,613
Share issue costs	-	-
<b>Balance at 30 June 2013</b>	<b>119,992</b>	<b>88,840,613</b>

## 13 Share Options Reserve

	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
	Number of Options		\$'000	\$'000
Share options	2,050,000	2,854,000	1,863	1,857

(a) Movements in Share Options during the past two half-years ended 30 June were as follows:

### Half-year ended 30 June 2014:

	\$'000	No. of Options
At 1 January 2014	1,857	2,854,000
Forfeiture of Options	-	(804,000)
Share based payment expense	6	-
<b>Balance at 30 June 2014</b>	<b>1,863</b>	<b>2,050,000</b>

### Half-year ended 30 June 2013:

	Date	\$'000	No. of Options
At 1 January 2013		1,662	2,754,000
Grant of options (i)	30 May 2014	2	400,000
Cancellation of Options		(13)	(140,000)
Share based payment expense		126	
<b>Balance at 30 June 2013</b>		<b>1,777</b>	<b>3,014,000</b>

- (i) Issued to Mr K Larsson (Managing Director) in accordance with the Dragon Mining Group Employee Incentive Plan and approved by shareholders at the Annual General Meeting held on 30 May 2014. The options have an exercise price of \$1.00, an expiry date of 1 June 2015, vest at various dates to 1 June 2014 and have been determined to have a fair value of \$0.1830 per option;

## 14 Expenditure Commitments

An update to the commitments disclosed in the financial report for the year ended 31 December 2013 is detailed below.

### Exploration commitments

Due to the nature of the consolidated entity's operations in exploring and evaluating areas of interest, it is very difficult to accurately forecast the nature or amount of future expenditure, although it will be necessary to incur expenditure in order to retain present interests in mineral tenements. Expenditure commitments on mineral tenure for the consolidated entity can be reduced by selective relinquishment of exploration tenure or by the renegotiation of expenditure commitments. The approximate minimum level of exploration requirements to retain current tenements is detailed below.

	30 Jun 2014 \$'000	31 Dec 2013 \$'000
Within one year	223	537
One year or later and no later than five years	2,406	4,055
	<b>2,629</b>	<b>4,592</b>

### Capital Commitments

Commitments relating to the acquisition of equipment contracted for but not recognised as liabilities are as follows:

	30 Jun 2014 \$'000	31 Dec 2013 \$'000
Within one year	-	626
One year or later and no later than five years	-	-
	<b>-</b>	<b>626</b>

### Operating Lease Expense Commitments

Commitments relating to future operating leases in existence at the reporting date but not recognised as liabilities are as follows:

	30 Jun 2014 \$'000	31 Dec 2013 \$'000
Within one year	180	-
One year or later and no later than five years	54	-
	<b>234</b>	<b>-</b>

### Remuneration Commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities are as follows:

	30 Jun 2014 \$'000	31 Dec 2013 \$'000
Within one year	220	170
	<b>220</b>	<b>170</b>

## 15 Related Party Transactions

Dragon Mining continued to provide loans to an associate, Weld Range Metals, to fund its share of project costs. The balance of this loan at 30 June 2014 is \$3.791m (31 December 2013: \$3.625m).

During the period Dragon Mining executed a Share Buy Back Agreement ("the Buy Back") with Weld Range Metals in order to divest Dragon Mining's interest in the Company.

At 30 June 2014, Weld Range Metals owed Dragon Mining A\$3.8M which will be converted to equity prior to, and form part of, the Buy Back. In total, Weld Range Metals will buy back 48,222,297 shares from Dragon Mining in consideration for A\$1,000,000.

The Buy Back is subject to a number of conditions precedent, including shareholder approval and conversion of shareholder debt to equity. The Buy Back is conditional on the preconditions being satisfied by 29 August 2014. As the Buy Back has not met conditions precedent, no effects of the Buy Back are reflected in the results for the period.

Other than as noted above, there have been no significant changes to the nature, terms or conditions of related party transactions from those disclosed at 31 December 2013.

## 16 Contingent Assets and Liabilities

### Contingent Liability

#### *Svartliden Gold Mine, Sweden*

An environmental breach reported in 2008 concerning levels of arsenic and other metals contained in surface runoff and ground water which is pumped from the waste rock dump and mining area to a water storage facility, termed the Clarification Pond (formerly the Clear Water Dam), continues to be addressed. Additional corrective measures and improvements were implemented during 2011 to reduce the levels of metals contained in the water pumped to the Clarification Pond. Despite improvements to the water treatment processes, metal levels and amounts exceeded guidelines, necessitating further corrective measures and improvements to the water treatment processes. All levels and corrective measures are reported to the inspecting authority.

During 2009, the company which operates the Svartliden Gold Mine was reported by the inspecting authority for a breach of discharging water to a nearby stream which is prohibited under the operating license. The allegation is based on the Company's report of elevated levels of dissolved metals in the water collected and tested from the nearby stream. An internal review has confirmed that no discharge occurred. A police investigation commenced during 2011.

In June 2013 a Court Hearing was held in relation to the 2009 allegations of environmental offenses relating to the original Environmental Permit. The Lycksele District Court ruling was favourable, and the Company was acquitted on all charges with the Swedish State to reimburse the bulk of the legal fees.

The State Prosecutor subsequently appealed the ruling for one of the charges, with the requested fine being adjusted to half of the original amount, being SEK 800,000. The Swedish Court of Appeal accepted the appeal on 2 October 2013. The date for the new Court hearing is 23-24 September 2014.

### Contingent Assets

#### *Sale of tenements to Aurion Resources*

In June 2014 Dragon Mining executed a Definitive Purchase Agreement ("Agreement") with Canadian listed entity Aurion Resources Limited (TSX-V:AU) ("Aurion"), whereby Aurion can acquire a 100% interest in two of Dragon Mining's non-core projects, Kutuvuoma and Silasselkä ("Projects"), in northern Finland. At 30 June 2014, the conditions precedent required by the Agreement had not been satisfied and no effects of the sale have been recognized.

The upfront consideration is the issue of 6,000,000 shares in Aurion. This consideration is subject to the events as detailed below and the Aurion spending Euro 1,000,000 on the projects over a three year period:

	(1)	(2)	(3)	(4)
Common Shares	2,000,000	1,000,000	1,000,000	2,000,000

(1) *Signing, subject to fulfilment of the conditions precedent of:*

- *Aurion receiving all approvals required by the TSX Venture Exchange; and*
- *Turvallisuus ja kemikaalivirasto ("Tukes") accepting the bond proposal of Dragon Mining for the Kutuvuoma Mining Licence without material change.*

(2) *Upon the Kutuvuoma Claim Applications (claims numbered 4 to 21) becoming valid;*

(3) *Upon the Silasselkä Claim Applications (applications numbered 1 to 19) becoming valid; and*

(4) *The third anniversary of the Kutuvuoma Claims (numbered 4 to 21) and the Silasselkä Claims (numbered 1 to 19) becoming valid.*



## Overview

Dragon Mining reported a consolidated net loss after tax for the period of \$0.003 million, (1H2013: loss of \$4.921 million), from gold sales of \$41.0 million (1H2013 \$44.7 million). Gold revenues were adversely affected by the lower gold prices prevailing in the half, together with lower production.

Gold production for the half year was 30,075 ounces (1H2013: 31,620 ounces), comprising 16,758 ounces (1H2013: 13,930 ounces) from the Vammala Production Centre and 13,317 ounces (1H2013: 17,690 ounces) from the Svartliden Production Centre. Gold production was mixed, with higher production based on higher grades being achieved by Vammala Production Centre for the half year, while the Svartliden Production Centre produced lower ounces due to solely processing stockpiles following the completion of mining at the end of 2013. The C1 cash cost for the period was USD961/oz (1H2013: USD 928/oz).

No accidents were recorded at the Svartliden Production Centre or the Jokisivu Gold Mine for the half year. Disappointingly, four accidents occurred in the other Finnish operations and efforts to improve the safety performance continue.

The Company completed an operating review, details of which have been previously announced.

Progress has been made in the divestment of non-core projects, with the previously announced Sale Agreement with Aurion Resources Limited (TSX-V : AU) and the signing of a Buy-Back Agreement with Weld Range Metals Limited. At 30 June 2014, both deals were awaiting completion of their conditions precedent and the benefits from these agreements are not reflected in the results for the half year.

Following a general meeting in February 2014, there were significant Board and operating management changes during the half. At the date of this report, the Board consists of Mr Arthur Dew (Chairman), Mr Brett Smith (Executive Director) and Mr Peter Gunzburg (Non-Executive Director).

Following on from cost reduction actions commenced at the end of 2013 and a review of operations initiated by the new Board, a number of redundancies were implemented in order to reduce costs and streamline operational responsibilities. The operational changes reinforce the Board's position on cost reduction, safety and productivity.

## Key Financial Results:

### Statement of Comprehensive Income

- Revenue from gold sales was \$41.0 million (1H2013: \$44.7 million);
- Gross Profit from operations \$4.4 million (1H2013: \$5.6 million);
- Exploration expenditure of \$1.8 million (1H2013: 3.0 million);
- Foreign exchange gains of \$0.2 million (1H2013: 9.1 million). Following significant impairment charges incurred by the Finnish subsidiary in 2013 and a subsequent recapitalisation, long term debt owing by the subsidiary is considered to be part of the Group's net investment. Accordingly, foreign exchange movements arising on the long term debt is taken to Other Comprehensive Income; and
- Net loss after tax was \$0.003 million (2013: \$4.9 million).

### Statement of Financial Position

- Group cash at 30 June 2014 stood at \$10.7 million (Dec 2013: \$5.9 million). Trade receivables from gold concentrate delivered and bullion on hand were \$7.3 million (Dec 2013: \$8.7 million) with trade creditors amounting to \$5.9 million (Dec 2013: \$5.9 million);
- Cash generated from operations before exploration expenditure was positive \$9.0 million (1H2013: \$8.4 million); and
- Net increase in cash and cash equivalents for the period was \$4.9 million (1H2013: increase \$1.2 million).



## Restatement of Prior Period

As previously announced, during the preparation of the Half Year Report an error was detected in the 2013 Audited Financial Statements. Further details of the error and its impact can be found in Note 18 of the attached Half Year Report and the previous announcement.

As the error related to the carrying value of stockpiles, the previously reported C1 Cash Costs as set out in the March and June Quarterly Reports also requires restatement.

The table below details the C1 cash costs corrected for the restatement.

Quarter	Svartliden Production Centre		Group	
	Reported	Restated	Reported	Restated
	USD/Oz	USD/Oz	USD/Oz	USD/Oz
March 2014	1,460	848	1,289	1,024
June 2014	1,158	849	1,274	961

In addition Dragon Mining will retain a 3% Net Smelter Royalty ("NSR") on any deposit mined which can be purchased at any time on or before the sixth anniversary with a one off payment of EUR 4,000,000 in cash or 1% of the NSR any time after the tenth anniversary with a one off payment of EUR 4,000,000 in cash on the basis that Dragon Mining has not sold the NSR to a third party at any time after the sixth anniversary of the signing of the Agreement.

Aurion will also make bonus payments to Dragon Mining of EUR 2,000,000 in cash or equivalent in Aurion Common Shares for the defining of one million ounces of gold equivalent material that is categorised as Measured and Indicated in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code") or National Instrument 43-101 Standards for Disclosure for Mineral Projects ("NI43-101").

Further bonus payments of EUR 1,000,000 in cash or equivalent in Aurion Common Shares will be made to Dragon Mining for the defining of every additional one million ounces of gold equivalent material that is categorised as Measured and Indicated in accordance with the JORC Code or NI43-101.

The likelihood of the Company receiving the future amounts is uncertain.

## 17 Significant Events After Balance Date

No circumstances or events have arisen subsequent to balance date that have had, or are likely to have a material impact on the financial statements.

## 18 Restatement of Prior Period Error

An error was detected in the 2013 Audited Financial Statements. This error was detected as part of the preparation of the 2014 half year report and relates to an understatement of the impairment charges necessary at 31 December 2013. Specifically, the error was caused by the exclusion of stockpile carrying values from the impairment testing performed on the Swedish operations at the Svartliden Production Centre.

The effect of the error was to understate the required impairment charge by \$6.334m and consequently to overstate the net assets by \$6.944m, with the balance being debited to the foreign currency translation reserve. No tax benefit from this additional charge has been brought to account.

The table below shows the summary effect of the adjustment. Note that in this half year report, the effect of the adjustment is primarily seen in the comparatives for the Statement of Financial Position, as the Statement of Financial Performance shows comparative information for the six months ended 30 June 2013. The comparative statement of financial position at 31 December 2013 and the opening accumulated losses in the consolidated statement of changes in equity for the period ended 30 June 2014 have been restated accordingly.

Item	Previously Reported Amount \$'000	Adjustment Amount \$'000	Restated Balance \$'000
<b>Statement of Comprehensive Income for the year ended 31 December 2013</b>			
Loss after Income Tax	15,835	6,334	22,169
Other comprehensive Loss	11,498	610	12,108
Total Comprehensive Loss for the year	27,333	6,944	34,277
Basic Loss Per Share	17.82 cents	7.13 cents	24.95 cents
<b>Statement of Financial Position as at 31 December 2013</b>			
Inventories	17,462	6,944	10,518
Total Assets	51,054	6,944	44,110
Net Assets	23,586	6,944	16,642
Accumulated Losses	97,617	6,334	103,951
Foreign Currency Translation Reserve	3,783	610	4,393

## Independent review report to members of Dragon Mining Limited

### Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Dragon Mining Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Dragon Mining Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Dragon Mining Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



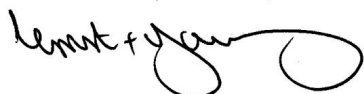
Ernst & Young



G H Meyerowitz  
Partner  
Perth  
27 August 2014

## Auditor's Independence Declaration to the Directors of Dragon Mining Limited

In relation to our review of the financial report of Dragon Mining Limited for the half-year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



G H Meyerowitz  
Partner  
27 August 2014